

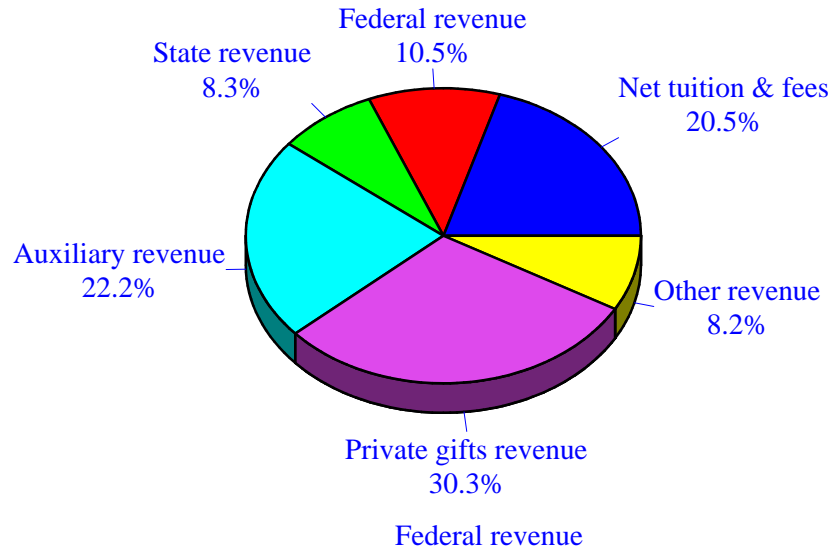
GREAT LAKES CHRISTIAN COLLEGE
REPORT ON FINANCIAL STATEMENTS
(with additional information)
YEARS ENDED JUNE 30, 2007 AND 2006

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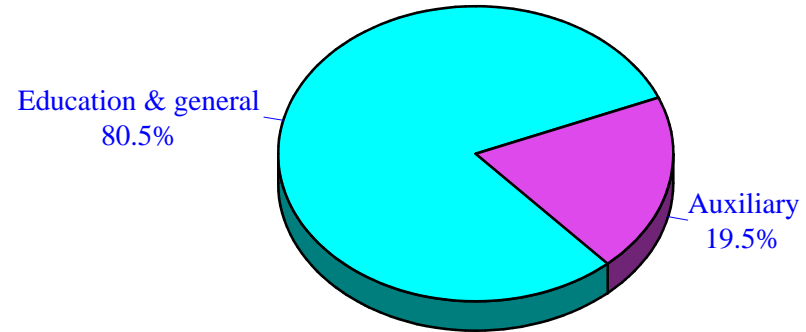
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GREAT LAKES CHRISTIAN COLLEGE YEARS ENDED JUNE 30, 2007 AND 2006

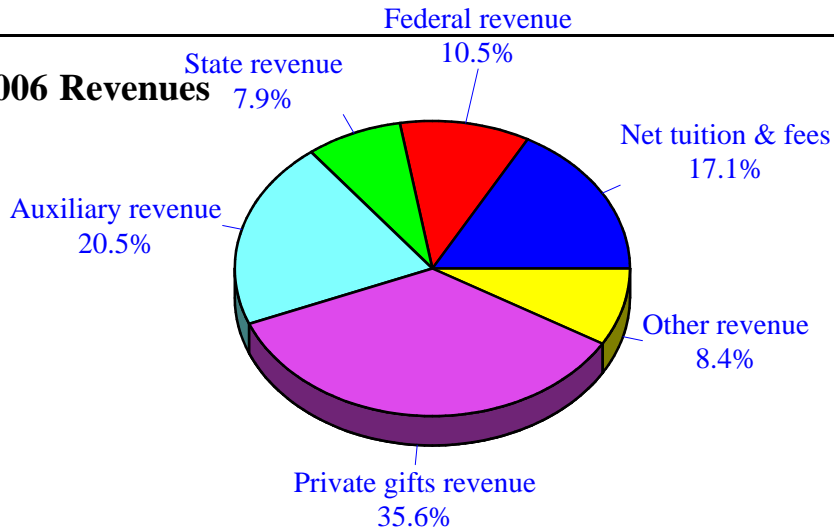
2007 Revenues



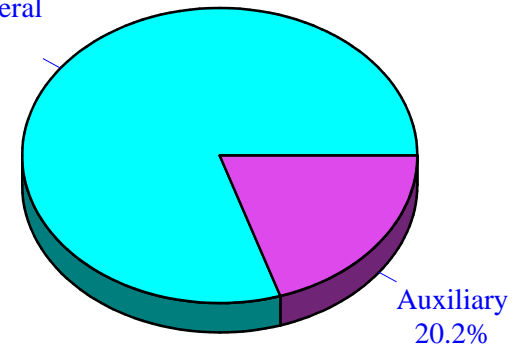
2007 Expenses



2006 Revenues



2006 Expenses





Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

September 4, 2007

We have audited the accompanying statements of financial position of Great Lakes Christian College as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Christian College as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

September 4, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, on our consideration of Great Lakes Christian College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer, Costensen & Ellis, P.C.

Certified Public Accountants

GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 351,993	\$ 216,334
Investments	346,043	276,490
Revenue receivable, less allowance of \$15,000 in 2007 and 2006	7,466	9,152
Due from governmental units	7,628	52,815
Inventories	36,577	30,143
Prepaid expenses		4,606
TOTAL CURRENT ASSETS	<u>749,707</u>	<u>589,540</u>
OTHER ASSETS:		
Property and equipment, net of depreciation	3,223,659	3,202,790
Cash on deposit	10,422	1,766
Investments - annuities	178,597	159,786
Investments - long-term	357,387	295,843
TOTAL OTHER ASSETS	<u>3,770,065</u>	<u>3,660,185</u>
TOTAL ASSETS	<u><u>\$ 4,519,772</u></u>	<u><u>\$ 4,249,725</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 42,663	\$ 59,906
Accounts payable	12,382	111,649
Accrued payroll and related	6,343	6,120
Student deposits	60,760	41,954
TOTAL CURRENT LIABILITIES	122,148	219,629
LONG-TERM DEBT, less current portion	1,050,736	810,882
ANNUITY LIABILITY	<u>130,955</u>	<u>130,601</u>
TOTAL LIABILITIES	<u>1,303,839</u>	<u>1,161,112</u>
NET ASSETS:		
Unrestricted:		
Undesignated	1,975,447	2,169,496
Designated	346,043	
Total unrestricted	2,321,490	2,169,496
Temporarily restricted	600,416	664,246
Permanently restricted	294,027	254,871
TOTAL NET ASSETS	<u>3,215,933</u>	<u>3,088,613</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,519,772</u></u>	<u><u>\$ 4,249,725</u></u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006**

	2007				2006			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES, GAINS, LOSSES AND OTHER SUPPORT:								
Gross tuition and fees	\$ 1,738,051	\$	\$	\$ 1,738,051	\$ 1,530,887	\$	\$	\$ 1,530,887
Less: Scholarships	475,618			475,618	407,353			407,353
Governmental grants and awards	605,181			605,181	582,043			582,043
Net tuition and fees	657,252			657,252	541,491			541,491
Federal grants and contracts	338,948			338,948	331,641			331,641
State grants and contracts	266,233			266,233	250,945			250,945
Private gifts, grants and contracts	608,473	324,576	39,156	972,205	738,033	371,736	18,377	1,128,146
Investment income	9,157	107,294		116,451	1,901	37,236		39,137
Sales and services of auxiliary activities	713,562			713,562	611,765			611,765
Other sources	145,199			145,199	267,095			267,095
Net assets released from restrictions	495,700	(495,700)			367,548	(367,548)		
TOTAL REVENUES, GAINS, LOSSES AND OTHER SUPPORT	3,234,524	(63,830)	39,156	3,209,850	3,110,419	41,424	18,377	3,170,220
EXPENSES AND TRANSFERS:								
Education and general	2,481,319			2,481,319	2,337,024			2,337,024
Auxiliary	601,211			601,211	589,907			589,907
TOTAL EXPENSES	3,082,530			3,082,530	2,926,931			2,926,931
CHANGE IN NET ASSETS	151,994	(63,830)	39,156	127,320	183,488	41,424	18,377	243,289
NET ASSETS, beginning of year	2,169,496	664,246	254,871	3,088,613	1,986,008	622,822	236,494	2,845,324
NET ASSETS, end of year	\$ 2,321,490	\$ 600,416	\$ 294,027	\$ 3,215,933	\$ 2,169,496	\$ 664,246	\$ 254,871	\$ 3,088,613

See notes to financial statements.

GREAT LAKES CHRISTIAN COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	\$ 127,320	\$ 243,289
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	229,974	209,702
Gain on sale of fixed assets		(93,392)
Revenue receivable	1,686	18,832
Inventories and prepaid expenses	(1,828)	4,263
Due from governmental units	45,187	(49,664)
Accounts payable	(99,267)	98,542
Accrued payroll and related	223	(8,060)
Student deposits	18,806	(31,446)
Annuity liability	1,543	23,968
Accrued interest		(2,500)
Unrealized gain/loss on investments	(92,958)	(18,519)
Total adjustments	<u>103,366</u>	<u>151,726</u>
Net cash provided by operating activities	<u>230,686</u>	<u>395,015</u>
Cash flows from investing activities:		
Purchase of property and equipment	(250,844)	(526,048)
Purchase of investments	(87,085)	(131,600)
Proceeds from land contract		157,814
Proceeds from sale of investments	<u>91,680</u>	<u>37,823</u>
Net cash used by investing activities	<u>(246,249)</u>	<u>(462,011)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term and short-term debt	2,100,000	930,000
Payments on long-term debt	(1,877,389)	(901,133)
Annuity contributions received	(9,190)	36,353
Permanently restricted endowment contributions	(70,200)	(19,529)
Annuity liability receipts	<u>8,001</u>	<u>(4,524)</u>
Net cash provided by financing activities	<u>151,222</u>	<u>41,167</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	135,659	(25,829)
CASH AND CASH EQUIVALENTS, beginning of year	<u>216,334</u>	<u>242,163</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 351,993</u>	<u>\$ 216,334</u>
CASH PAID FOR INTEREST	<u>\$ 77,426</u>	<u>\$ 57,949</u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

- A. Basis of accounting - The College utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Monies classified as unrestricted include all funds over which the College has discretionary control and net assets released from restrictions. The temporarily restricted classification is comprised of amounts arising from federal and state grants as well as private gifts for scholarships and other needs of the College. Permanently restricted net assets consist of assets to be held indefinitely for scholarship purposes and the related investment income is recorded in the temporarily restricted fund.

- B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds. Cash amounts on deposit in investment funds are not considered cash equivalents.

- C. Investments

Investments in equity securities with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

- D. Revenue Receivable

Revenue receivable arises primarily from student tuition payments. Revenue receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to revenue receivable. Changes in the valuation allowance have not been material to the financial statements. Students come from various geographical areas.

- E. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of bookstore and cafeteria supplies held for consumption and resale.

- F. Property, Equipment and Depreciation

Property and equipment is stated at cost or market value at date of gift. Depreciation is computed over the estimated useful life of the assets on the straight-line method.

GREAT LAKES CHRISTIAN COLLEGE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Concluded)

G. Capital Outlay and Maintenance Projects

Capital outlay projects meeting the following criteria are recorded as capital additions of the unrestricted fund:

1. New buildings and additions to buildings;
2. Renovation, remodeling or modernization projects resulting in a basic change in the use or occupancy of existing facilities and replacement of major equipment items, including vehicles;
3. Acquisition of an existing facility;
4. Land acquisition and site projects exceeding \$10,000; and
5. Individual amounts exceeding \$1,000.

H. The costs of providing various programs and other activities have been summarized on a functional basis in the Schedule of Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS AND UNCERTAINTIES

Great Lakes Christian College was founded September 21, 1949 and incorporated March 2, 1972. The College has been located at its current location since 1972 and is an independent post-secondary college producing servant-leaders for the Kingdom of God. The College's affairs are managed by its Board of Trustees, which determine policies and officers.

The College is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the College to concentrations of credit risk consist principally of cash and revenue receivable. The College's cash is deposited with high-credit-quality financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Credit risk with respect to revenue receivable is limited because the majority of revenue receivable is due from governmental units.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - TAX STATUS

The College is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for tax on “unrelated business income,” as defined. No provision for income taxes is required.

NOTE 4 - INVESTMENTS

The fair value of investments is estimated based on quoted market prices for those of similar investments.

Investments at June 30 consist of the following:

	2007			2006		
	Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Primarily equity mutual funds	<u>\$685,843</u>	<u>\$ 882,027</u>	<u>\$ 196,184</u>	<u>\$628,894</u>	<u>\$732,119</u>	<u>\$ 103,225</u>

Investment income consists of the following:

	2007			2006		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Interest and dividends	\$ 1,155	\$ 28,472	\$ 29,627	\$ 2,261	\$ 18,357	\$ 20,618
Unrealized gain (loss)	8,002	78,822	86,824	(360)	18,879	18,519
	<u>\$ 9,157</u>	<u>\$ 107,294</u>	<u>\$ 116,451</u>	<u>\$ 1,901</u>	<u>\$ 37,236</u>	<u>\$ 39,137</u>

NOTE 5 - RETIREMENT PROGRAM

The College has a defined contribution 401(k) retirement plan that covers substantially all full time employees who meet certain requirements for age and length of employment. The College may elect to make discretionary contributions in addition to the contributions made by the employees themselves. The College contributed \$51,422 and \$45,174 in 2007 and 2006, respectively.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at June 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Work in process	\$ 86,750	\$ 160,856
Land and improvements	595,464	542,864
Buildings and improvements	3,684,800	3,556,020
Furniture and equipment	1,201,668	1,140,321
Automobiles	78,171	78,171
Library books	<u>632,102</u>	<u>553,998</u>
	6,278,955	6,032,230
Less accumulated depreciation	<u>3,055,296</u>	<u>2,829,440</u>
	<u><u>\$ 3,223,659</u></u>	<u><u>\$ 3,202,790</u></u>
Depreciation	<u><u>\$ 229,974</u></u>	<u><u>\$ 209,702</u></u>

NOTE 7 - LINE OF CREDIT

The College obtained a bank line of credit for \$200,000 with interest at prime (8.25%). The line was secured by substantially all of the assets of the College except for real property. At June 30, 2007 and 2006 the outstanding balance was \$0 for each year.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following obligations:

	<u>2007</u>	<u>2006</u>
Mortgage loan - bank, dated May 16, 2007, original amount \$1,100,000, payable \$10,268 per month including interest at prime (8.25% at June 2007 and 2006) less .75%, collateralized by property and equipment of the College. Final maturity May 2012.	\$ 1,093,399	\$ 870,788
Less current portion	<u>(42,663)</u>	<u>(59,906)</u>
	<u><u>\$ 1,050,736</u></u>	<u><u>\$ 810,882</u></u>

Debt matures as follows:

Year ending June 30,	
2008	\$ 42,663
2009	45,975
2010	49,544
2011	53,391
2012	<u>901,826</u>
	<u><u>\$ 1,093,399</u></u>

Interest expense for the years ended June 30, 2007 and 2006 was \$ 77,426 and \$ 55,449, respectively.

GREAT LAKES CHRISTIAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CHARITABLE GIFT ANNUITIES

The College has entered into several Charitable Gift Annuity Agreements whereby the donor contributes assets for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the College's use. Assets received are recorded at fair value on the date the agreement is recognized, and a liability equal to the present value of the future distributions are recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the College revalues the liability based on applicable mortality tables and discount rates, which vary from 5.6% to 8.5%.

Management believes the current portion of their liabilities is immaterial and has chosen to present the entire amount as long-term.

	<u>2007</u>	<u>2006</u>
June 30	<u>\$ 130,955</u>	<u>\$ 130,601</u>

NOTE 10 - LEASES

The College leases copiers. Lease payments amounted to \$16,242 and \$18,804 for the years ended June 30, 2007 and 2006, respectively.

Future minimum lease payments required under such leases are as follows:

<u>Year ending June 30,</u>	
2008	<u>\$ 4,962</u>

NOTE 11 - CONTINGENCIES

The College participates in various student financial aid programs, which are subject to audit by grantor agencies. Any disallowed claims, including amounts already used may constitute a liability to the College. In the opinion of management, the liability, if any, would be immaterial.

NOTE 12 - COMMITMENT

The College has a commitment to construction of a new building at year end of approximately \$1.8 million. There is approximately \$86,000 in work in process at June 30, 2007 in relation to this commitment and no outstanding payable at June 30, 2007.

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - RESTRICTED NET ASSETS

The College reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations to be held indefinitely are reported as permanently restricted. The income from these assets is reported in the temporarily restricted fund. When the scholarships are paid, the income is released to the unrestricted fund.

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purposes restrictions accomplished:

	2007	2006
Scholarships	\$ 27,850	\$ 25,450
General administration and student services	364,479	89,488
Equipment acquired and placed in service	103,371	252,610
	<u>\$ 495,700</u>	<u>\$ 367,548</u>

Net assets at the end of the year at June 30 consist of the following:

	2007	2006
Temporarily restricted:		
Donor specified gifts available	\$ 521,624	\$ 610,063
Endowment income available for scholarships	78,792	54,183
	<u>\$ 600,416</u>	<u>\$ 664,246</u>
Permanently restricted:		
Original endowment contributions	<u>\$ 294,027</u>	<u>\$ 254,871</u>

**GREAT LAKES CHRISTIAN COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - FUNCTIONAL EXPENSES

Included in education and general expenses are management and general expenses of approximately \$900,000 for 2007 and 2006, which includes fundraising expenses of approximately \$210,000 and \$225,000 for 2007 and 2006, respectively.

NOTE 16 - RECLASSIFICATION OF FINANCIAL STATEMENTS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the basic financial statements of Great Lakes Christian College for the year ended June 30, 2007 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages iii, and 15 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costenaro & Ellis, P.C.

Certified Public Accountants

Lansing, Michigan
September 4, 2007

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Education and general:		
Instruction and academic support:		
Instruction	\$ 657,142	\$ 619,662
IBFD	28,264	
Music	2,694	1,965
Christian service	4,150	4,026
Chapel	190	351
Academic administration	117,976	124,448
Registrar	47,676	44,095
Choir	10,207	7,762
Ensembles	1,959	2,193
Madrigals	21,754	19,758
Library	90,410	85,154
Dean of students	75,267	66,459
Retention and remediation	7,496	5,179
Depreciation	44,505	44,111
Total instruction and academic support	<u>1,109,690</u>	<u>1,025,163</u>
Support services:		
Convocation		7
Orientation	5,617	4,361
Honors chapel	155	315
Promise	11,261	9,847
Misseo Dei	926	3,167
Commencement	1,509	721
Athletics	56,440	39,234
Student activities	51,951	54,227
Total support services	<u>127,859</u>	<u>111,879</u>
General and administrative:		
Executive and business offices	<u>441,158</u>	<u>472,479</u>
Financial aid	<u>64,197</u>	<u>52,809</u>

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Education and general (Concluded):		
General and administrative: (Concluded):		
Institutional advancement:		
Fund raising:		
Public relations	\$ 146,849	\$ 139,572
Alumni relations	34,595	58,022
Donor banquets	5	3
Phoneathon	20	577
Estate planning	15,097	12,635
Golf outing	6,681	6,247
NACC	4,265	3,144
NMC	1,673	1,630
MCC	1,248	2,817
	<u>210,433</u>	<u>224,647</u>
Total fund raising	210,433	224,647
Admissions	<u>189,447</u>	<u>150,225</u>
Total institutional advancement	<u>399,880</u>	<u>374,872</u>
Total general and administrative	<u>905,235</u>	<u>900,160</u>
General institutional:		
Internet service	24,718	16,995
Retirement administration	6,450	3,204
Telephone/internet	3,651	7,033
Insurance	29,349	31,160
General maintenance	133,673	123,502
Interest expense	77,426	55,449
Depreciation	63,268	62,479
	<u>338,535</u>	<u>299,822</u>
Total general institutional	338,535	299,822
Total education and general	<u>2,481,319</u>	<u>2,337,024</u>

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULES OF EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Auxiliary:		
Bookstore	\$ 84,827	\$ 96,561
Cafeteria	256,975	244,962
Administrative building	60,304	60,157
Men's residence	21,085	20,329
Women's residence	27,845	23,419
Family housing	25,614	24,545
House		1,909
Depreciation	122,201	103,113
Campus beautification	<u>2,360</u>	<u>14,912</u>
Total auxiliary	<u>601,211</u>	<u>589,907</u>
TOTAL EXPENSES	<u><u>\$ 3,082,530</u></u>	<u><u>\$ 2,926,931</u></u>

GREAT LAKES CHRISTIAN COLLEGE
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To Board of Trustees
Great Lakes Christian College
Lansing, Michigan

September 4, 2007

We have audited the basic financial statements Great Lakes Christian College as of and for the year ended June 30, 2007, and have issued our report thereon dated September 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Lakes Christian College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

September 4, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Lakes Christian College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Great Lakes Christian College in a separate letter dated September 4, 2007.

This report is intended solely for the information and use of the board of trustees, management, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costenizer & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



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Bruce J. Dunn
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

September 4, 2007

Compliance

We have audited the compliance of Great Lakes Christian College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Great Lakes Christian College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Great Lakes Christian College's management. Our responsibility is to express an opinion on Great Lakes Christian College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Lakes Christian College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Great Lakes Christian College's compliance with those requirements.

In our opinion, Great Lakes Christian College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Great Lakes Christian College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Great Lakes Christian College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Great Lakes Christian College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Great Lakes Christian College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Trustees
Great Lakes Christian College
Lansing, Michigan

September 4, 2007

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Great Lakes Christian College as of and for the year ended June 30, 2007, and have issued our report thereon dated September 4, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Great Lakes Christian College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of board of trustees, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costensen & Ellis, P.C.

Certified Public Accountants

GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Current year expenditures</u>
U.S. Department of Education:			
Federal Pell Grant Program	84.063	N/A	\$ 289,987
Federal Supplemental Education Opportunity Grant	84.007	N/A	21,522
Federal Work Study Program	84.033	N/A	<u>27,439</u>
 TOTAL FEDERAL EXPENDITURES			 <u><u>\$ 338,948</u></u>

See Note 3 on page 7 regarding Federal Family Education Loans Program.

GREAT LAKES CHRISTIAN COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Great Lakes Christian College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Student Financial Aid Cluster, CFDA #84.063, #84.007, #84.033 and #84.032, was audited as the major program.
3. The College administers the Federal Family Education Loans (FFEL) program (CFDA # 84.032). During fiscal year 2006-2007 students received \$943,519 of new FFEL loans. These funds were received directly by the students of the College and any interest or other costs related to these loans were received directly by the lender not Great Lakes Christian College. Accordingly, these costs have not been included on the Schedule of Expenditures of Federal Awards.

**GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of OMB Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program
84.063, 84.007, 84.033, 84.032	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**GREAT LAKES CHRISTIAN COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no prior audit findings for the year ended June 30, 2006.



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September 4, 2007

To the Board of Trustees
Great Lakes Christian College
Lansing, Michigan

In planning and performing our audit of the financial statements of Great Lakes Christian College as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Great Lakes Christian College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 4, 2007 on the financial statements of Great Lakes Christian College. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Prior Year Comments

Improve Segregation of Cash Duties

Status: Management has reviewed the prior year recommendation and implemented procedures to improve controls in this area. The college is now having all checks received by the mailroom stamped “For deposit only”.

We believe management has appropriately addressed this issue.

Access to Blank Checks

Status: The manager of Payroll and Benefits monitors the numerical sequence of checks. The Vice President of Finance and Operations randomly reviews the sequence of check numbers. Additionally, all checks are signed by the Vice President of Finance and Operations.

We believe management has appropriately addressed this issue.

Update All Agreements to Current IRS Rates

Status: All applicable contracts now make reference to the applicable current IRS rates.

We believe management has appropriately addressed this issue.

Petty Cash

Status: Personal checks cashed by the business office have been reviewed. Monthly balances are reviewed and reconciled. The College believes the current practice of cashing checks for students as a convenience is appropriate and proper controls are in place.

We believe management has appropriately addressed this issue.

Investment Statements

Status: The College has contacted Oppenheimer and has been informed cost is only provided when there is a “triggering event”.

We believe management has appropriately addressed this issue.

Cash Management -Federal Awards

Status: The prior year comment was informational only. The College has consistently complied with cash management procedures.

New Auditing Standards

Status: The College has appropriately addressed auditing standards effective for the year-ended June 30, 2007.

We believe management has appropriately addressed this issue.

Current Year Comments

Computer Passwords

Currently the College does not have a formalized policy for changing passwords. We recommend a policy be established to change passwords. We believe changing passwords three or four times a year would improve controls in this area.

New Construction of Doty Center

Subsequent to year-end, the College broke ground on the new Doty Center. During construction, additional administrative, accounting and operational issues must be addressed on a daily basis by the Vice President of Finance and Operations. These additional requirements have not resulted in additional personnel. We recommend these additional responsibilities be considered during the construction process.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for entities. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the your current procedures and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with College personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

New Interpretation of Deferred Compensation Rules Applicable to Teachers and Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, college employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a college provides that all employees must spread their pay over 12 months, these rules do not apply. In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school years.

This report is intended solely for the information and use of Great Lakes Christian College, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costeniser & Ellis, P.C.



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September 4, 2007

To the Board of Trustees
Great Lakes Christian College
6211 W. Willow Highway
Lansing, Michigan 48917

We have audited the financial statements of Great Lakes Christian College for the year ended June 30, 2007, and have issued our report thereon dated September 4, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Great Lakes Christian College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Great Lakes Christian College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Great Lakes Christian College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Great Lakes Christian College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Great Lakes Christian College's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Great Lakes Christian College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Great Lakes Christian College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the functional allocation of expenses is based on management's estimate used of resources. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Great Lakes Christian College's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Great Lakes Christian College either individually or in the aggregate, indicate matters that could have a significant effect on Great Lakes Christian College's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Great Lakes Christian College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have discussed the new reporting requirements as defined by SAS #112 Statement on Auditing Standards.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the authority, Board of Trustees and management of Great Lakes Christian College and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.